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February 24, 2003

## **BY HAND**

Ms. Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2nd Floor  
Boston, MA 02110

Re: D. T. E. 02-85 - Request for Approval of Capacity Contract Restructuring Plan

Dear Secretary Cottrell:

On December 23, 2002 Fitchburg Gas and Electric Light Company ("FG&E" or the "Company") filed with the Department of Telecommunications and Energy (the "Department") a petition for approval of an implementation plan to restructure its capacity contracts and storage contract with Tennessee Gas Pipeline Company ("Tennessee") and enter into related contractual commitments. FG&E's filing included prefiled testimony and other supporting documentation to support the approval of FG&E's Petition. The purpose of this letter is to provide an update to the December 23, 2002 filing regarding the Company's continuing efforts to implement plans to restructure its capacity contracts as discussed in the prefiled testimony.

January 31, 2003 was the first "implementation date" when the Company was required to notify Tennessee Gas Pipeline ("TGP") of its decision regarding the renewal of those TGP contracts terminating on January 31, 2004 (TGP Contract Nos 267, 268, 2916, 2919 and Contract No. 38927). Prior to that date the Company planned to bid for 534 Dth of Zone 6 capacity and, if successful, reduce the capacity associated with TGP Contract No. 2916 by that amount.

On January 6, 2003 FG&E submitted a binding bid for 534 Dth of Zone 6 capacity (Attachment A). TGP held an open season for the capacity and on January 10, 2003

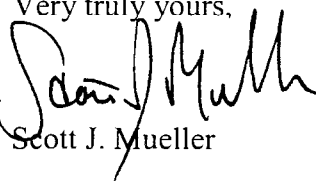
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TGP posted FG&E as the winner of the open season. The associated contract (No. 42258) was subsequently fully executed by FG&E and TGP (Attachment B).

On December 31, 2002 TGP sent renewal notices to FG&E and FG&E executed and submitted these renewals to TGP on January 28, 2003 notifying TGP that the full delivery service for Contract Nos 267, 268, 2919 would be renewed for a lesser extension term to March 31, 2008 with Contract No 38927 renewed to March 31, 2007. FG&E also notified TGP that Contract No 2916 would be renewed to March 31, 2008 but at a reduced delivery service of 534 Dth due to the replacement zone 6 capacity (Attachment C).

As discussed on Page 11, lines 11-13 of the prefiled testimony, the successful completion of the first phase of the restructuring plan results in a second package of 534 Dth of capacity becoming available on FG&E's lateral in February 2004, prior to the termination of Contract No. 2915 on March 31, 2004. As further discussed in the prefiled testimony FG&E is required to notify TGP of its intention to renew or release Contract No. 2915 by March 31, 2003 and, in conformance with the second phase of FG&E's restructuring plan, FG&E submitted a second request to TGP on February 24, 2003 for 534 Dth of Zone 6 capacity (Attachment D). The term requested is for December 1, 2004 through March 31, 2008 (vs. 2007 as discussed in the prefiled testimony) and if FG&E is the successful bidder, FG&E will notify TGP by March 31, 2003 that the capacity level of Contract No. 2915 to be renewed will be reduced by 534 Dths and the contract will be extended 24 months, or through March of 2006.

The December 23, 2002 filing included the prefiled testimony of David B. Daskocil. David K. Foote, Senior Vice President of FG&E will be adopting Mr. Daskocil's prefiled testimony and testifying on behalf of FG&E on this matter. If you have any questions regarding this matter please call.

Very truly yours,  
  
Scott J. Mueller

Enclosures

cc: Paul Afonso, General Counsel, DTE  
George Yiankos, Director, Gas Division, DTE  
Andreas Thanos, Assistant Director, Gas Division, DTE  
Joseph Rogers, Assistant Attorney General  
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